



The challenge of sustainable growth

 **GRUH
FINANCE
LIMITED**
We help you build homes
(A subsidiary of HDFC Ltd.)

24th Annual Report 2009-2010



Driving the pace of growth

We are regularly reminded nowadays about what media describes as the 'India growth story'. While it is true that global business leaders and even governments are discovering new facets of the Indian market and its immense potential for growth, the challenges on the ground make the push for growth very complex and daunting. Nowhere is this more evident than in the housing and housing finance sector. The recent global meltdown was triggered in some measure by the trap of sub prime lending. But if the India growth story has to really take wing, millions of people need to be brought within the umbrella of the formal banking and financial services network.

According to one recent estimate, there are currently around 200 million bank account holders and that represents just about 20% of the probable target for 'inclusive economic development'.

So for a housing finance institution like GRUH, there are inviting new horizons beyond the current horizon for growth. But 'growth' in this context has many connotations. It does relate to growth in terms of size and bigger numbers. But it also implies a better quality in these numbers. It envisages better yield and over the years, growing maturity.

As we expand and grow, we also feel the compulsions of preserving our standards of integrity- a major concern after the global crisis. In the actions we take and the signals we send out to our teams, there is always a strong underpinning of sincerity, uprightness and reliability. Accountability and transparency are upper most in our list of concerns as we push the envelope for growth.

The image of the flourishing bonsai on our cover has a lot in common with our own experience in driving the pace for good quality performance and sustainable growth. We are constantly nurturing, pruning and encouraging our people to shorten the learning curve. We are motivating them to achieve the fruits of our culture of transparency and personalized service. Their commitment makes us confident of growing our equity across geographies and leveraging on promising new market opportunities in the years ahead.



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HIGHLIGHTS

(Rs. in crores)

Financial Highlights	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Loan Disbursements	780	655	632	474	360	300	218	202	189	184
Net Interest Income	115	85	74	52	36	28	21	20	19	15
Fees & Other Income	12	7	6	6	6	5	6	5	5	5
Operating Cost	25	21	18	14	12	9	9	9	9	8
Operating Profit	103	72	63	44	30	23	19	18	15	12
Provisions & Write Offs (net)	8	3	4	7	4	3	4	5	6	5
Profit Before Tax	94	70	59	37	26	20	15	13	9	7
Profit After Tax	69	50	42	30	22	17	13	11	8	6
Stockholders' Equity	265	221	190	164	87	73	63	59	53	48
Borrowed Funds	2323	2245	1773	1305	1080	806	572	555	487	450
Loan Assets	2454	2091	1774	1379	1070	818	584	556	480	452

Key Financial Ratios

Capital Adequacy Ratio (%)	16.55	16.21	18.15	16.31	14.24	15.71	19.26	18.26	17.65	11.47
Loans to Total Assets (%)	95	85	90	94	92	93	92	90	87	89
Gross NPA to Loan Assets (%)	1.11	0.94	1.11	1.36	1.48	1.95	1.68	1.87	3.53	5.00
Net NPA to Loans (%)	0	0	0	0	0.23	0.66	0.30	0.81	2.43	3.90
Net Interest Margin to										
Average Assets (%)	4.57	3.85	4.31	3.96	3.48	3.69	3.34	3.39	3.53	2.93
Cost to Income Ratio (%)	20	22	22	24	28	29	32	34	37	39
PAT to Average Assets (%)	2.73	2.27	2.47	2.25	2.12	2.20	2.12	1.76	1.54	1.22
Return on Average Networkworth (%)	28	24	24	24	27	24	22	18	16	13

Measuring Shareholders' Wealth

Earning Per Share (Rs.)	19.89	14.51	12.22	9.40	7.36	6.31	5.03	3.84	3.02	2.28
Dividend Rate (%)	65	48	40	30	25	21	18	15	12	8
Dividend Payout Ratio (%)	38	39	38	41	35	38	40	44	40	39
Book Value Per Share as at March 31 (Rs.)	76.21	63.74	54.91	47.42	32.79	27.72	23.91	22.34	20.18	18.40
Market Price Per Share as at March 31 (Rs.)	217.75	93.70	154.35	137.35	93.30	45.05	29.70	15.90	17.25	8.75
Price to Value Ratio (times)	2.86	1.47	2.81	2.90	2.85	1.63	1.24	0.71	0.85	0.48
Price to Earning Ratio (times)	11	6	13	15	11	7	6	4	6	4
Market Capitalisation (in Crores)	756	325	535	476	247	119	79	42	46	23

BOARD OF DIRECTORS AND THEIR BRIEF PROFILE :



Mr. Keki M. Mistry
Chairman

Mr. Keki M. Mistry, the non-executive Chairman of the Company is the Vice Chairman and Chief Executive Officer of Housing Development Finance Corporation Limited (HDFC). He is a Fellow Member of the Institute of Chartered Accountants of India. Mr. Mistry serves as a director on the board of reputed companies like HDFC Bank Ltd., HDFC Standard Life Insurance Co. Ltd., HDFC ERGO General Insurance Company Ltd., HDFC Developers Ltd., HDFC Asset Management Company Ltd., Greatship (India) Ltd., The Great Eastern Shipping Co. Ltd., Sun Pharmaceutical Industries Ltd., NextGen Publishing Ltd., Infrastructure Leasing & Financial Services Ltd., Shrenuj & Company Ltd., Torrent Power Ltd., India Value Fund Advisors Pvt. Ltd., Intel Global Services Pvt. Ltd. He has been on the board of GRUH since 2000. He is a member of the Audit Committee and Compensation Committee of GRUH.



Mr. S.M. Palia

Mr. S.M. Palia, is a development banker. He holds a degree in Commerce, Law and Banking [CAIIB, CAIB (London)] and has 25 years working experience in Industrial Development Bank of India (IDBI) in various capacities. He retired as Executive Director of IDBI in 1989. He is on the board of reputed companies like Tata Steel Ltd., ACC Ltd., Tata Motors Ltd., The Bombay Dyeing & Mfg. Co. Ltd., and AI Champdany Industries Ltd. He has been on the board of GRUH since 1993. He was Vice Chairman of the Company from 1993 to 2000 and Chairman of the Company for one year from January 2001. He is Chairman of the Audit, Compensation and Shareholders'/ Investors' Grievance Committees of GRUH.



Mr. Prafull Anubhai

Mr. Prafull Anubhai, is a Corporate Advisor. He is associated with educational and research institutions like Indian Institute of Management (IIMA), Ahmedabad Education Society (AES), Ahmedabad University, CSTEP (Centre for Science Technology and Policy), ATIRA etc. He is the Chairman of the Board of Management of the Ahmedabad University. He is the member of the Governing Board of Ahmedabad Education Society. He is also the Hon. Director of Saptak Archives, an institution dedicated to the preservation and dissemination of Indian Classical Music. He has done his B.Sc.(Econ.) from the London School of Economics and attended PMD at Harvard Business School. He has 30 years of experience as a Chief Executive of Textile Manufacturing Operations and presently he is a Director in companies like Unichem Laboratories Ltd., Vardhman Textiles Ltd., Birla Sun Life Trustee Co. Pvt. Ltd, Torrent Cables Ltd., EMSAF (Emerging Market South Asia Fund) – Mauritius etc. He has been on the board of GRUH since 1987. He is a member of the Audit Committee and the Shareholders'/ Investors' Grievance Committee of GRUH.



Mr. K.G. Krishnamurthy

Mr. K.G. Krishnamurthy, is the Managing Director & CEO of HDFC Property Ventures Limited (HPVL). Prior to that, he was employed with HDFC as Senior General Manager – Technical Services. He played a major role in HPVL's successful closure of India's first real estate venture fund scheme, HDFC India Real Estate Fund with a corpus of 1.20 billion dollars. He is a graduate from IIT Kharagpur with a management degree from Jamnalal Bajaj Institute of Management, Mumbai. He has vast experience of over two decades in real estate and has been widely consulted by the industry on real estate matters. He has offered his services to the Asian Development Bank - to develop a housing package for Project Affected Persons under Karnataka Urban Infrastructure Project, and to the US AID to build-up a mortgage market in Sri Lanka. Besides his responsibilities within the HDFC group, he is on the board of several companies, including Tata Housing Development Company Ltd., Vascon Engineers Pvt. Ltd., HDFC Venture Capital Ltd., New Consolidated Construction Co. Ltd., the Indian Association for Savings and Credit, L&T Urban Infrastructure Ltd., etc. He has been appointed on the board of GRUH since 2004.

BOARD OF DIRECTORS AND THEIR BRIEF PROFILE :



Ms. Renu S. Karnad

Ms. Renu Sud Karnad, the Managing Director of HDFC is a graduate in law from the University of Mumbai and holds a Master's degree in economics from the University of Delhi. She is a Parvin Fellow – Woodrow Wilson School of International Affairs, Princeton University, U.S.A. She has been employed with HDFC since 1978. She is responsible for the lending operations of HDFC. She is the Chairperson of HDFC Property Ventures Ltd., and HDFC Sales Pvt. Ltd. She is also a director in companies like Credit Information Bureau (India) Ltd., HDFC Bank Ltd., HDFC Asset Management Company Ltd., HDFC Standard Life Insurance Company Ltd., HDFC ERGO General Insurance Company Ltd., Sparsh BPO Services Ltd., ICI India Ltd., Indraprastha Medical Corporation Ltd., Bosch Ltd., HDFC Venture Capital Ltd., etc. She has been on the board of GRUH since 2000. She is a member of the Compensation Committee of GRUH.



Mr. Rohit C. Mehta

Mr. Rohit C. Mehta, is a prominent and successful industrialist possessing a wide and varied experience in the management of business and industry. He is a Law Graduate from the Bombay University. He was International President of Lions Clubs International. He has also been the President of Federation of Indian Chambers of Commerce & Industry. He is the Chairman of Torrent Cables Ltd. He is a director of Cama Hotels Ltd. and Gujarat Hotels Ltd. He has been on the board of GRUH since 1987 and was the Chairman of the Company from 1987 to 1998. He is a member of the Audit Committee of GRUH.



Mr. S.G. Mankad

Mr. S.G. Mankad, IAS (retd), holds Masters in History from University of Delhi. He has served in various capacities both in Government of India and the State of Gujarat. His last assignment was as Chief Secretary, Govt. of Gujarat. He has served as a Director/Chairman on Board of several cement, power, fertilizer and finance companies. He had also worked on the Finance Committee of Central Universities and had been associated with several educational institutions and NGOs. He is the Chairman of Bhavnagar Energy Co. Ltd., Gujarat International Finance Tec- City Ltd. and Director in IL&FS Education & Technology Services Ltd. and Deepak Nitrite Ltd. He is also Chairman of Gujarat Institute of Desert Ecology (GUIDE). He was appointed as an Additional Director on the Board of GRUH on January 14, 2010.



Mr. Kamlesh Shah

Mr. Kamlesh Shah, is a Chartered Accountant from the Institute of Chartered Accountants of India. He has been employed with GRUH since 1990. He has the working experience of handling functional areas of operations, finance, human resources and administration. He was appointed as an Additional Director designated as Executive Director on the Board of GRUH on April 16, 2010.



Mr. Sudhin Choksey
Managing Director

Mr. Sudhin Choksey, the Managing Director of GRUH, is a Fellow Member of the Institute of Chartered Accountants of India. He was appointed as the CEO of the Company in 1998 and the Managing Director in 2000. He has been on the Board of GRUH since May 1996. He has the working experience of handling functional areas of finance, commercial and general management both in India and abroad. He is a director of Deepak Nitrite Ltd and alternate director of Hunnar Shaala Foundation for Building Technology and Innovations. He is a member of the Shareholders'/ Investors' Grievance Committee of GRUH.

MANAGEMENT TEAM

Mr. Amit Chokshi	Mr. Suresh Iyer	Mr. Jayesh Gangwani
Mr. Manish Gandhi	Mr. Harish Sharma	Mr. Dharmesh Bhavsar
Mr. Umesh Agrawal	Mr. Ajay Kumar	Mr. Anil Dave
Mr. Dushyant Joshi	Mr. Dahyabhai Vadher	Ms. Rupali Shelar
Mr. Santosh Kulkarni	Mr. Anand Rehpade	Mr. Amar Vyas
Mr. Hiren Visavadiya	Mr. Ashish Sutaria	Mr. Stanley Gundi
Mr. Harshal Vaidya	Mr. Akash Sharma	Mr. Anand Nandi
Mr. Rakesh Chowdhary	Mr. Rakesh Hardiya	Mr. Om Prakash
Mr. M. U. Prasanna Kumar	Ms. Shilpa Kulkarni	Mr. Mehul Buch
Mr. Amar Rajpurohit	Mr. Narendra Rao	Mr. Anurag Sen

Mr. Jayesh Jain Chief Financial Officer

Mr. Marcus Lobo Company Secretary

REGISTERED OFFICE

" GRUH" , Netaji Marg, Near Mithakhali Six Roads, Ellisbridge, Ahmedabad 380 006.

Phone : 91-79-2642 1671 to 75, 3290 1222/23 Fax : 2656 0649

AUDITORS

M/s SORAB S. ENGINEER & Co.,
Chartered Accountants

SOLICITORS AND ADVOCATES

M/s Singhi & Co.,
Advocates, Solicitors and Notary

BANKERS

Allahabad Bank * Axis Bank Ltd. * Bank of Baroda * Bank of India * Bank of Maharashtra
Bank of Nova Scotia * Central Bank Of India * Canara Bank * Dena Bank * Development Credit Bank Ltd.
HDFC Bank Ltd. * ICICI Bank Ltd. * IDBI Ltd. * Indian Overseas Bank * IndusInd Bank Ltd. * Kotak Mahindra Bank Ltd.
The Jammu and Kashmir Bank Ltd. * State Bank of India * State Bank of Patiala * State Bank of Mysore
State Bank of Travancore * Syndicate Bank * UCO Bank * Union Bank of India * Vijaya Bank

DEBENTURE TRUSTEES

IDBI Trusteeship Services Ltd., Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate, Mumbai 400 021.



Creating pride in home ownership

More than half of our borrowers come from the lower pop strata towns and rural concentrations.

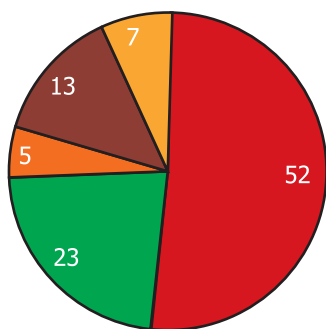
This has meant overcoming various challenges: like geographic and cultural discontinuities, prospect identification, customer creation and higher operating costs.

GRUH has so far disbursed an impressive Rs 4645 crores to over 1,56,000 customers scattered across more than 710 taluka towns.

Profile of GRUH's Customers

Cumulative Disbursements in Individual Segment

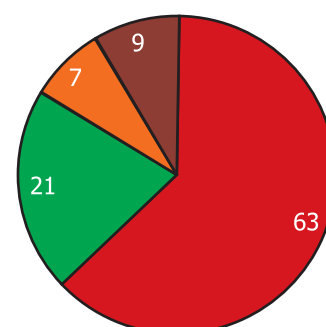
Properties Financed - Location wise Distribution



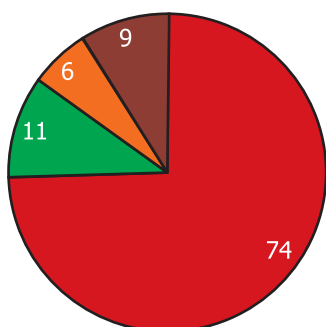
Population at location	No.	%	
Up to 50,000	81162	52	
> 50,000 to 2,00,000	35496	23	
> 2,00,000 to 5,00,000	7807	5	
> 5,00,000 to 25,00,000	21109	13	
> 25,00,000	10908	7	
Total	156482	100	

Properties Financed - Family Income wise Distribution

Monthly Income of Family (Rs.)	No.	%	
Up to 10,000	98786	63	
> 10,000 to 15,000	32262	21	
> 15,000 to 20,000	11352	7	
> 20,000	14082	9	
Total	156482	100	



Properties Financed - Loan Amount wise Distribution

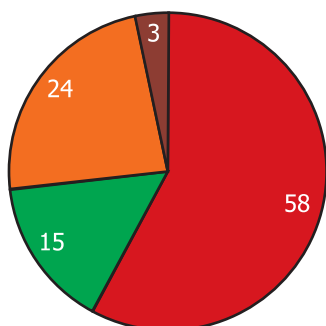


Loan Amount (Rs.)	No.	%	
Up to 3,00,000	116394	74	
> 3,00,000 to 4,00,000	16493	11	
> 4,00,000 to 5,00,000	9876	6	
> 5,00,000	13719	9	
Total	156482	100	

Profile of GRUH's Customers

Cumulative Disbursements in Individual Segment

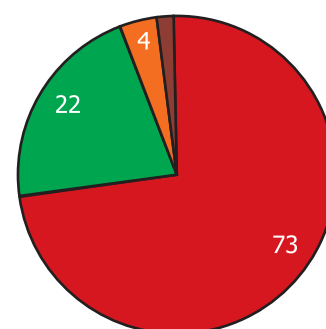
Properties Financed - Loan to Cost Ratio (LCR) wise Distribution



LCR in %	No.	%	
Up to 75	90934	58	
76 to 80	23563	15	
81 to 85	36611	24	
> 85	5374	3	
Total	156482	100	

Properties Financed Instalment to Income Ratio (IIR) wise Distribution

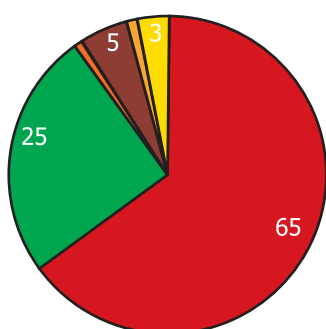
IIR in %	No.	%	
Up to 35	113734	73	
36 to 45	34513	22	
46 to 55	5998	4	
> 55	2237	1	
Total	156482	100	



GRUH's Outstanding Loans

(Rs. in Crores)

Product wise Portfolio



Individual Housing	Amount	%	
Suraksha	1593.54	65	
Suvidha	617.23	25	
Sajavat	20.54	1	
Individual Non Residential			
Samrudhi	121.29	5	
Shubh Labh	25.02	1	
Developer Loans	76.08	3	
Total	2453.70	100	

Properties Financed by GRUH



Town : Jhabua
District : Jhabua
Property Cost : Rs. 5,20,000/-
Loan Amount : Rs. 3,60,000/-



Town : Nagda
District : Ujjain
Property Cost : Rs. 6,80,000/-
Loan Amount : Rs. 4,00,000/-



Town : Jodhpur
District : Jodhpur
Property Cost : Rs. 5,17,000/-
Loan Amount : Rs. 3,25,000/-



Town : Bilaspur
District : Bilaspur
Property Cost : Rs. 4,00,000/-
Loan Amount : Rs. 2,80,000/-